

111TH CONGRESS  
1ST SESSION

# H. R. 3007

To provide fiscal assistance to local governments.

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IN THE HOUSE OF REPRESENTATIVES

JUNE 23, 2009

Mr. KANJORSKI introduced the following bill; which was referred to the  
Committee on Oversight and Government Reform

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## A BILL

To provide fiscal assistance to local governments.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **TITLE I—ALLOCATION AND**  
4 **PAYMENT OF FUNDS**

5 **SEC. 101. SHORT TITLE; TABLE OF CONTENTS.**

6 (a) SHORT TITLE.—This Act may be cited as the  
7 “Local Fiscal Assistance Act of 2009”.

8 (b) TABLE OF CONTENTS.—The table of contents for  
9 this Act is as follows:

TITLE I—ALLOCATION AND PAYMENT OF FUNDS

Sec. 101. Short title; table of contents.

Sec. 102. Payments to local governments.

Sec. 103. Use of funds by local governments for priority expenditures.

Sec. 104. Creation of trust fund; appropriations.

Sec. 105. Allocation among States.  
 Sec. 106. Entitlements of local governments.  
 Sec. 107. Definitions and special rules for application of allocation formulas.

## TITLE II—ADMINISTRATIVE PROVISIONS

Sec. 201. Reports on use of funds; publication.  
 Sec. 202. Miscellaneous provisions.  
 Sec. 203. Definitions.

### 1 **SEC. 102. PAYMENTS TO LOCAL GOVERNMENTS.**

2 (a) IN GENERAL.—Except as otherwise provided in  
 3 this Act, the Secretary shall, for each entitlement period,  
 4 pay out of the Trust Fund to each unit of local govern-  
 5 ment a total amount equal to the entitlement of such unit  
 6 determined under section 106 for such period.

7 (b) INSTALLMENTS.—In the case of entitlement peri-  
 8 ods ending after the date of the enactment of this Act,  
 9 such payments shall be made in installments, but not less  
 10 often than once for each quarter, and, in the case of quar-  
 11 ters ending after the date of the enactment of this Act,  
 12 shall be paid not later than 5 days after the close of each  
 13 quarter. Such payments for any entitlement period may  
 14 be initially made on the basis of estimates. Proper adjust-  
 15 ment shall be made in the amount of any payment to a  
 16 unit of local government to the extent that the payments  
 17 previously made to such government under this title were  
 18 in excess of or less than the amounts required to be paid.

1 **SEC. 103. USE OF FUNDS BY LOCAL GOVERNMENTS FOR**  
2 **PRIORITY EXPENDITURES.**

3 (a) IN GENERAL.—Funds received by units of local  
4 government under this title may be used only for priority  
5 expenditures. For purposes of this Act, the term “priority  
6 expenditures” means only—

7 (1) ordinary and necessary maintenance and  
8 operating expenses for—

9 (A) public safety (including law enforce-  
10 ment, fire protection, and building code enforce-  
11 ment);

12 (B) environmental protection (including  
13 sewage disposal, sanitation, and pollution abate-  
14 ment);

15 (C) public transportation (including transit  
16 systems and streets and roads);

17 (D) health;

18 (E) recreation;

19 (F) libraries;

20 (G) social services for the poor or aged;

21 and

22 (H) financial administration; and

23 (2) ordinary and necessary capital expenditures  
24 authorized by law.

25 (b) CERTIFICATES BY LOCAL GOVERNMENTS.—The  
26 Secretary is authorized to accept a certification by the

1 chief executive officer of a unit of local government that  
2 the unit of local government has used the funds received  
3 by it under this title for an entitlement period only for  
4 priority expenditures, unless he determines that such cer-  
5 tification is not sufficiently reliable to enable him to carry  
6 out his duties under this title.

7 **SEC. 104. CREATION OF TRUST FUND; APPROPRIATIONS.**

8 (a) TRUST FUND.—

9 (1) IN GENERAL.—There is hereby established  
10 on the books of the Treasury of the United States  
11 a trust fund to be known as the “Local Government  
12 Fiscal Assistance Trust Fund” (referred to in this  
13 title as the “Trust Fund”). The Trust Fund shall  
14 remain available without fiscal year limitation and  
15 shall consist of such amounts as may be appro-  
16 priated to it and deposited in it as provided in sub-  
17 section (b). Except as provided in this Act, amounts  
18 in the Trust Fund may be used only for the pay-  
19 ments to local governments provided by this title.

20 (2) TRUSTEE.—The Secretary of the Treasury  
21 shall be the trustee of the Trust Fund and shall re-  
22 port to the Congress not later than March 1 of each  
23 year on the operation and status of the Trust Fund  
24 during the preceding fiscal year.

25 (b) APPROPRIATIONS.—

1           (1) IN GENERAL.—There is appropriated to the  
2       Trust Fund, out of amounts in the general fund of  
3       the Treasury attributable to the collections of the  
4       Federal individual income taxes not otherwise appro-  
5       priated—

6                   (A) for the period beginning on the date of  
7       the enactment of this Act, and ending Sep-  
8       tember 30, 2009, \$30,000,000,000;

9                   (B) for fiscal year 2010, \$30,000,000,000;  
10       and

11                   (C) for fiscal year 2011, \$30,000,000,000.

12           (2) DEPOSITS.—Amounts appropriated by para-  
13       graph (1) for any fiscal year or other period shall be  
14       deposited in the Trust Fund on the later of (A) the  
15       first day of such year or period, or (B) the day after  
16       the date of enactment of this Act.

17       (c) TRANSFERS FROM TRUST FUND TO GENERAL  
18       FUND.—The Secretary shall from time to time transfer  
19       from the Trust Fund to the general fund of the Treasury  
20       any moneys in the Trust Fund which he determines will  
21       not be needed to make payments to units of local govern-  
22       ment under this title.

23       **SEC. 105. ALLOCATION AMONG STATES.**

24           (a) IN GENERAL.—There shall be allocated to each  
25       State for each entitlement period, out of amounts appro-

1 priated under section 104(b)(1) for that entitlement pe-  
 2 riod, an amount which bears the same ratio to the amount  
 3 appropriated under that section for that period as the  
 4 amount allocable to that State under subsection (b) bears  
 5 to the sum of the amounts allocable to all States under  
 6 subsection (b).

7 (b) DETERMINATION OF ALLOCABLE AMOUNT.—

8 (1) IN GENERAL.—For purposes of subsection  
 9 (a), the amount allocable to a State under this sub-  
 10 section for any entitlement period shall be deter-  
 11 mined under paragraph (2).

12 (2) THREE FACTOR FORMULA.—For purposes  
 13 of paragraph (1), the amount allocable to a State  
 14 under this paragraph for any entitlement period is  
 15 the amount which bears the same ratio to  
 16 \$20,000,000,000 as—

17 (A) the population of that State, multiplied  
 18 by the general tax effort factor of that State,  
 19 multiplied by the relative income factor of that  
 20 State, bears to

21 (B) the sum of the products determined  
 22 under subparagraph (A) for all States.

23 **SEC. 106. ENTITLEMENTS OF LOCAL GOVERNMENTS.**

24 (a) ALLOCATION AMONG COUNTY AREAS.—The  
 25 amount to be allocated to the units of local government

1 within a State for any entitlement period shall be allocated  
 2 among the county areas located in that State so that each  
 3 county area will receive an amount which bears the same  
 4 ratio to the total amount to be allocated to the units of  
 5 local government within that State as—

6 (1) the population of that county area, multi-  
 7 plied by the general tax effort factor of that county  
 8 area, multiplied by the relative income factor of that  
 9 county area, bears to

10 (2) the sum of the products determined under  
 11 paragraph (1) for all county areas within that State.

12 (b) ALLOCATION TO COUNTY GOVERNMENTS, MU-  
 13 NICIPALITIES, TOWNSHIPS, ETC.—

14 (1) COUNTY GOVERNMENTS.—The county gov-  
 15 ernment shall be allocated that portion of the  
 16 amount allocated to the county area for the entitle-  
 17 ment period under subsection (a) which bears the  
 18 same ratio to such amount as the adjusted taxes of  
 19 the county government bear to the adjusted taxes of  
 20 the county government and all other units of local  
 21 government located in the county area.

22 (2) OTHER UNITS OF LOCAL GOVERNMENT.—  
 23 The amount remaining for allocation within a county  
 24 area after the application of paragraph (1) shall be  
 25 allocated among the units of local government (other

1       than the county government and other than town-  
2       ship governments) located in that county area so  
3       that each unit of local government will receive an  
4       amount which bears the same ratio to the total  
5       amount to be allocated to all such units as—

6               (A) the population of that local govern-  
7               ment, multiplied by the general tax effort factor  
8               of that local government, multiplied by the rel-  
9               ative income factor of that local government,  
10              bears to

11              (B) the sum of the products determined  
12              under subparagraph (A) for all such units.

13       (3) TOWNSHIP GOVERNMENTS.—If the county  
14       area includes one or more township governments,  
15       then before applying paragraph (2)—

16              (A) there shall be set aside for allocation  
17              under subparagraph (B) to such township gov-  
18              ernments that portion of the amount allocated  
19              to the county area for the entitlement period  
20              which bears the same ratio to such amount as  
21              the sum of the adjusted taxes of all such town-  
22              ship governments bears to the aggregate ad-  
23              justed taxes of the county government, such  
24              township governments, and all other units of



1 local government located in the county area,  
2 and

3 (B) that portion of each amount set aside  
4 under subparagraph (A) shall be allocated to  
5 each township government on the same basis as  
6 amounts are allocated to units of local govern-  
7 ment under paragraph (2).

8 If this paragraph applies with respect to any county  
9 area for any entitlement period, the remaining por-  
10 tion allocated under paragraph (2) to the units of  
11 local government located in the county area (other  
12 than the county government and the township gov-  
13 ernments) shall be appropriately reduced to reflect  
14 the amounts set aside under subparagraph (A).

15 (4) INDIAN TRIBES AND ALASKAN NATIVE VIL-  
16 LAGES.—If within a county area there is an Indian  
17 tribe or Alaskan native village which has a recog-  
18 nized governing body which performs substantial  
19 governmental functions, then before applying para-  
20 graph (1) there shall be allocated to such tribe or  
21 village a portion of the amount allocated to the  
22 county area for the entitlement period which bears  
23 the same ratio to such amount as the population of  
24 that tribe or village within that county area bears to  
25 the population of that county area. If this paragraph

1 applies with respect to any county area for any enti-  
2 tlement period, the amount to be allocated under  
3 paragraph (1) shall be appropriately reduced to re-  
4 flect the amount allocated under the preceding sen-  
5 tence. If the entitlement of any such tribe or village  
6 is waived for any entitlement period by the gov-  
7 erning body of that tribe or village, then the provi-  
8 sions of this paragraph shall not apply with respect  
9 to the amount of such entitlement for such period.

10 (5) RULE FOR SMALL UNITS OF GOVERN-  
11 MENT.—If the Secretary determines that in any  
12 county area the data available for any entitlement  
13 period are not adequate for the application of the  
14 formulas set forth in paragraphs (2) and (3)(B)  
15 with respect to units of local government (other than  
16 a county government) with a population below a  
17 number (not more than 500) prescribed for that  
18 county area by the Secretary, he may apply para-  
19 graph (2) or (3)(B) by allocating for such entitle-  
20 ment period to each such unit located in that county  
21 area an amount which bears the same ratio to the  
22 total amount to be allocated under paragraph (2) or  
23 (3)(B) for such entitlement period as the population  
24 of such unit bears to the population of all units of  
25 local government in that county area to which allo-

1 cations are made under such paragraph. If the pre-  
2 ceding sentence applies with respect to any county  
3 area, the total amount to be allocated under para-  
4 graph (2) or (3)(B) to other units of local govern-  
5 ment in that county area for the entitlement period  
6 shall be appropriately reduced to reflect the amounts  
7 allocated under the preceding sentence.

8 (6) ENTITLEMENT.—

9 (A) IN GENERAL.—Except as otherwise  
10 provided in this paragraph, the entitlement of  
11 any unit of local government for any entitle-  
12 ment period shall be the amount allocated to  
13 such unit under this subsection (after taking  
14 into account any applicable modification under  
15 subsection (c)).

16 (B) MAXIMUM AND MINIMUM PER CAPITA  
17 ENTITLEMENT.—Subject to the provisions of  
18 subparagraphs (C) and (D), the per capita  
19 amount allocated to any county area or any  
20 unit of local government (other than a county  
21 government) within a State under this section  
22 for any entitlement period shall not be less than  
23 20 percent, nor more than 145 percent, of two-  
24 thirds of the amount allocated to the State

1 under section 105, divided by the population of  
2 that State.

3 (C) LIMITATION.—The amount allocated  
4 to any unit of local government under this sec-  
5 tion for any entitlement period shall not exceed  
6 50 percent of the sum of (i) such government’s  
7 adjusted taxes, and (ii) the intergovernmental  
8 transfers of revenue to such government (other  
9 than transfers to such government under this  
10 title).

11 (D) ENTITLEMENT LESS THAN \$1,000, OR  
12 GOVERNING BODY WAIVES ENTITLEMENT.—If  
13 (but for this subparagraph) the entitlement of  
14 any unit of local government below the level of  
15 the county government—

16 (i) would be less than \$1,000 for any  
17 entitlement period (\$500 for an entitle-  
18 ment period of 6 months), or

19 (ii) is waived for any entitlement pe-  
20 riod by the governing body of such unit,  
21 then the amount of such entitlement for such  
22 period shall (in lieu of being paid to such unit)  
23 be added to, and shall become a part of, the en-  
24 titlement for such period of the county govern-

1           ment of the county area in which such unit is  
2           located.

3           (7) ADJUSTMENT OF ENTITLEMENT.—

4                   (A) IN GENERAL.—In adjusting the alloca-  
5           tion of any county area or unit of local govern-  
6           ment, the Secretary shall make any adjustment  
7           required under paragraph (6)(B) first, any ad-  
8           justment required under paragraph (6)(C) next,  
9           and any adjustment required under paragraph  
10          (6)(D) last.

11                   (B) ADJUSTMENT FOR APPLICATION OF  
12          MAXIMUM OR MINIMUM PER CAPITA ENTITLE-  
13          MENT.—The Secretary shall adjust the alloca-  
14          tions made under this section to county areas  
15          or to units of local governments in any State in  
16          order to bring those allocations into compliance  
17          with the provisions of paragraph (6)(B). In  
18          making such adjustments he shall make any  
19          necessary adjustments with respect to county  
20          areas before making any necessary adjustments  
21          with respect to units of local government.

22                   (C) ADJUSTMENT FOR APPLICATION OF  
23          LIMITATION.—In any case in which the amount  
24          allocated to a unit of local government is re-

duced under paragraph (6)(C) by the Secretary,  
the amount of that reduction—

(i) in the case of a unit of local government (other than a county government), shall be added to and increase the allocation of the county government of the county area in which it is located, unless (on account of the application of paragraph (6)) that county government may not receive it, in which case the amount of the reduction shall be added to and increase the entitlement of the State government of the State in which that unit of local government is located; and

(ii) in the case of a county government, shall be added to and increase the entitlement of the State government of the State in which it is located.

(c) SPECIAL ALLOCATION RULES.—

(1) OPTIONAL FORMULA.—A State may by law provide for the allocation of funds among county areas, or among units of local government (other than county governments), on the basis of the population multiplied by the general tax effort factors of such areas or units of local government, on the basis

1 of the population multiplied by the relative income  
2 factors of such areas or units of local government,  
3 or on the basis of a combination of those two fac-  
4 tors. Any State which provides by law for such a  
5 variation in the allocation formula provided by sub-  
6 section (a), or by paragraphs (2) and (3) of sub-  
7 section (b), shall notify the Secretary of such law  
8 not later than 30 days before the beginning of the  
9 first entitlement period to which such law is to  
10 apply. Any such law shall—

11 (A) provide for allocating 100 percent of  
12 the aggregate amount to be allocated under  
13 subsection (a), or under paragraphs (2) and (3)  
14 of subsection (b);

15 (B) apply uniformly throughout the State;  
16 and

17 (C) apply during the period beginning on  
18 the first day of the first entitlement period to  
19 which it applies and ending on September 30,  
20 2011.

21 (2) CERTIFICATION.—Paragraph (1) shall apply  
22 within a State only if the Secretary certifies that the  
23 State law complies with the requirements of such  
24 paragraph. The Secretary shall not certify any such  
25 law with respect to which he receives notification

1 later than 30 days prior to the first entitlement pe-  
2 riod during which it is to apply.

3 (d) GOVERNMENTAL DEFINITIONS AND RELATED  
4 RULES.—For purposes of this Act—

5 (1) UNITS OF LOCAL GOVERNMENT.—The term  
6 “unit of local government” means the government of  
7 a county, municipality, township, or other unit of  
8 government below the State which is a unit of gen-  
9 eral government (determined on the basis of the  
10 same principles as are used by the Bureau of the  
11 Census for general statistical purposes). Such term  
12 also means, except for purposes of paragraphs (1),  
13 (2), (3), (5), (6)(C), and (6)(D) of subsection (b),  
14 and, except for purposes of subsection (c), the recog-  
15 nized governing body of an Indian tribe or Alaskan  
16 native village which performs substantial govern-  
17 mental functions.

18 (2) CERTAIN AREAS TREATED AS COUNTIES.—  
19 In any State in which any unit of local government  
20 (other than a county government) constitutes the  
21 next level of government below the State government  
22 level, then, except as provided in the next sentence,  
23 the geographic area of such unit of government shall  
24 be treated as a county area (and such unit of gov-  
25 ernment shall be treated as a county government)



1 with respect to that portion of the State's geo-  
2 graphic area. In any State in which any county area  
3 is not governed by a county government but contains  
4 two or more units of local government, such units  
5 shall not be treated as county governments and the  
6 geographic areas of such units shall not be treated  
7 as county areas.

8 (3) TOWNSHIPS.—The term “township” in-  
9 cludes equivalent subdivisions of government having  
10 different designations (such as “towns”), and shall  
11 be determined on the basis of the same principles as  
12 are used by the Bureau of the Census for general  
13 statistical purposes.

14 (4) UNITS OF LOCAL GOVERNMENT LOCATED IN  
15 LARGER ENTITY.—A unit of local government shall  
16 be treated as located in a larger entity if part or all  
17 of its geographic area is located in the larger entity.

18 (5) ONLY PART OF UNIT LOCATED IN LARGER  
19 ENTITY.—If only part of a unit of local government  
20 is located in a larger entity, such part shall be treat-  
21 ed for allocation purposes as a separate unit of local  
22 government, and all computations shall, except as  
23 otherwise provided in regulations, be made on the  
24 basis of the ratio which the estimated population of

1 such part bears to the population of the entirety of  
2 such unit.

3 (6) BOUNDARY CHANGES, GOVERNMENTAL RE-  
4 ORGANIZATION, ETC.—If, by reason of boundary line  
5 changes, by reason of State statutory or constitu-  
6 tional changes, by reason of annexations or other  
7 governmental reorganizations, or by reason of other  
8 circumstances, the application of any provision of  
9 this section to units of local government does not  
10 carry out the purposes of this title, the application  
11 of such provision shall be made, under regulations  
12 prescribed by the Secretary, in a manner which is  
13 consistent with such purposes.

14 **SEC. 107. DEFINITIONS AND SPECIAL RULES FOR APPLICA-**  
15 **TION OF ALLOCATION FORMULAS.**

16 (a) IN GENERAL.—For purposes of this title—

17 (1) POPULATION.—Population shall be deter-  
18 mined on the same basis as resident population is  
19 determined by the Bureau of the Census for general  
20 statistical purposes.

21 (2) URBANIZED POPULATION.—Urbanized pop-  
22 ulation means the population of any area consisting  
23 of a central city or cities of 50,000 or more inhab-  
24 itants (and of the surrounding closely settled terri-  
25 tory for such city or cities) which is treated as an

1 urbanized area by the Bureau of the Census for gen-  
2 eral statistical purposes.

3 (3) INCOME.—Income means total money in-  
4 come received from all sources, as determined by the  
5 Bureau of the Census for general statistical pur-  
6 poses.

7 (4) PERSONAL INCOME.—Personal income  
8 means the income of individuals, as determined by  
9 the Department of Commerce for national income  
10 accounts purposes.

11 (5) DATES FOR DETERMINING ALLOCATIONS  
12 AND ENTITLEMENTS.—Except as provided in regula-  
13 tions, the determination of allocations and entitle-  
14 ments for any entitlement period shall be made as  
15 of the first day of the third month immediately pre-  
16 ceding the beginning of such period.

17 (6) INTERGOVERNMENTAL TRANSFERS.—The  
18 intergovernmental transfers of revenue to any gov-  
19 ernment are the amounts of revenue received by that  
20 government from other governments as a share in fi-  
21 nancing (or as reimbursement for) the performance  
22 of governmental functions, as determined by the Bu-  
23 reau of the Census for general statistical purposes.

24 (7) DATA USED; UNIFORMITY OF DATA.—

1           (A) GENERAL RULE.—Except as provided  
2           in subparagraph (B), the data used shall be the  
3           most recently available data provided by the  
4           Bureau of the Census or the Department of  
5           Commerce, as the case may be.

6           (B) USE OF ESTIMATES, ETC.—Where the  
7           Secretary determines that the data referred to  
8           in subparagraph (A) are not current enough or  
9           are not comprehensive enough to provide for eq-  
10          uitable allocations, he may use such additional  
11          data (including data based on estimates) as  
12          may be provided for in regulations.

13       (b) INCOME TAX AMOUNT OF STATES.—For pur-  
14       poses of this title—

15           (1) IN GENERAL.—The income tax amount of  
16           any State for any entitlement period is the income  
17           tax amount of such State as determined under para-  
18           graphs (2) and (3).

19           (2) INCOME TAX AMOUNT.—The income tax  
20           amount of any State for any entitlement period is 15  
21           percent of the net amount collected from the State  
22           individual income tax of such State during 2009 or  
23           (if later) during the last calendar year ending before  
24           the beginning of such entitlement period.

1           (3) CEILING AND FLOOR.—The income tax  
2           amount of any State for any entitlement period—

3                   (A) shall not exceed 6 percent, and

4                   (B) shall not be less than 1 percent,

5           of the Federal individual income tax liabilities attrib-  
6           uted to such State for taxable years ending during  
7           2008 or (if later) during the last calendar year end-  
8           ing before the beginning of such entitlement period.

9           (4) STATE INDIVIDUAL INCOME TAX.—The in-  
10          dividual income tax of any State is the tax imposed  
11          upon the income of individuals by such State and  
12          described as a State income tax under section  
13          164(a)(3) of the Internal Revenue Code of 1986.

14          (5) FEDERAL INDIVIDUAL INCOME TAX LIABIL-  
15          ITIES.—Federal individual income tax liabilities at-  
16          tributed to any State for any period shall be deter-  
17          mined on the same basis as such liabilities are deter-  
18          mined for such period by the Internal Revenue Serv-  
19          ice for general statistical purposes.

20          (c) GENERAL TAX EFFORT OF STATES.—

21               (1) IN GENERAL.—For purposes of this title—

22                   (A) GENERAL TAX EFFORT FACTOR.—The  
23                   general tax effort factor of any State for any  
24                   entitlement period is (i) the net amount col-  
25                   lected from the State and local taxes of such

1 State during the most recent reporting year, di-  
2 vided by (ii) the aggregate personal income (as  
3 defined in paragraph (4) of subsection (a)) at-  
4 tributed to such State for the same period.

5 (B) GENERAL TAX EFFORT AMOUNT.—The  
6 general tax effort amount of any State for any  
7 entitlement period is the amount determined by  
8 multiplying—

9 (i) the net amount collected from the  
10 State and local taxes of such State during  
11 the most recent reporting year, by

12 (ii) the general tax effort factor of  
13 that State.

14 (2) STATE AND LOCAL TAXES.—

15 (A) TAXES TAKEN INTO ACCOUNT.—The  
16 State and local taxes taken into account under  
17 paragraph (1) are the compulsory contributions  
18 exacted by the State (or by any unit of local  
19 government or other political subdivision of the  
20 State) for public purposes (other than employee  
21 and employer assessments and contributions to  
22 finance retirement and social insurance sys-  
23 tems, and other than special assessments for  
24 capital outlay), as such contributions are deter-

1           mined by the Bureau of the Census for general  
2           statistical purposes.

3           (B) MOST RECENT REPORTING YEAR.—

4           The most recent reporting year with respect to  
5           any entitlement period consists of the years  
6           taken into account by the Bureau of the Census  
7           in its most recent general determination of  
8           State and local taxes made before the close of  
9           such period.

10          (d) GENERAL TAX EFFORT FACTOR OF COUNTY  
11          AREA.—For purposes of this title, the general tax effort  
12          factor of any county area for any entitlement period is—

13               (1) the adjusted taxes of the county government  
14               plus the adjusted taxes of each other unit of local  
15               government within that county area, divided by

16               (2) the aggregate income (as defined in para-  
17               graph (3) of subsection (a)) attributed to that coun-  
18               ty area.

19          (e) GENERAL TAX EFFORT FACTOR OF UNIT OF  
20          LOCAL GOVERNMENT.—For purposes of this title—

21               (1) IN GENERAL.—The general tax effort factor  
22               of any unit of local government for any entitlement  
23               period is—

24               (A) the adjusted taxes of that unit of local  
25               government, divided by

1 (B) the aggregate income (as defined in  
2 paragraph (3) of subsection (a)) attributed to  
3 that unit of local government.

4 (2) ADJUSTED TAXES.—

5 (A) IN GENERAL.—The adjusted taxes of  
6 any unit of local government are—

7 (i) the compulsory contributions ex-  
8 acted by such government for public pur-  
9 poses (other than employee and employer  
10 assessments and contributions to finance  
11 retirement and social insurance systems,  
12 and other than special assessments for  
13 capital outlay), as such contributions are  
14 determined by the Bureau of the Census  
15 for general statistical purposes, and

16 (ii) adjusted (under regulations pre-  
17 scribed by the Secretary) by excluding an  
18 amount equal to that portion of such com-  
19 pulsory contributions which is properly al-  
20 locable to expenses for education.

21 (B) CERTAIN SALES TAXES COLLECTED BY  
22 COUNTIES.—In any case where—

23 (i) a county government exacts sales  
24 taxes within the geographic area of a unit  
25 of local government and transfers part or



1           all of such taxes to such unit without  
2           specifying the purposes for which such unit  
3           may spend the revenues, and

4           (ii) the Governor of the State notifies  
5           the Secretary that the requirements of this  
6           subparagraph have been met with respect  
7           to such taxes,

8           then the taxes so transferred shall be treated as  
9           the taxes of the unit of local government (and  
10          not the taxes of the county government).

11       (f) RELATIVE INCOME FACTOR.—For purposes of  
12 this title, the relative income factor is a fraction—

13           (1) in the case of a State, the numerator of  
14           which is the per capita income of the United States  
15           and the denominator of which is the per capita in-  
16           come of that State;

17           (2) in the case of a county area, the numerator  
18           of which is the per capita income of the State in  
19           which it is located and the denominator of which is  
20           the per capita income of that county area; and

21           (3) in the case of a unit of local government,  
22           the numerator of which is the per capita income of  
23           the county area in which it is located and the de-  
24           nominator of which is the per capita income of the  
25           geographic area of that unit of local government.

1 For purposes of this subsection, per capita income shall  
2 be determined on the basis of income as defined in para-  
3 graph (3) of subsection (a).

## 4 **TITLE II—ADMINISTRATIVE** 5 **PROVISIONS**

### 6 **SEC. 201. REPORTS ON USE OF FUNDS; PUBLICATION.**

7 (a) REPORTS ON USE OF FUNDS.—Each State gov-  
8 ernment and unit of local government which receives funds  
9 under title I shall, after the close of each entitlement pe-  
10 riod, submit a report to the Secretary setting forth the  
11 amounts and purposes for which funds received during  
12 such period have been spent or obligated. Such reports  
13 shall be in such form and detail and shall be submitted  
14 at such time as the Secretary may prescribe. The Sec-  
15 retary shall establish a publicly accessible website for pur-  
16 poses of this Act and shall post such reports on that  
17 website.

18 (b) REPORTS ON PLANNED USE OF FUNDS.—Each  
19 State government and unit of local government which ex-  
20 pects to receive funds under title I for any entitlement  
21 period beginning on or after October 1, 2009 shall submit  
22 a report to the Secretary setting forth the amounts and  
23 purposes for which it plans to spend or obligate the funds  
24 which it expects to receive during such period. Such re-  
25 ports shall be in such form and detail as the Secretary

1 may prescribe and shall be submitted at such time before  
2 the beginning of the entitlement period as the Secretary  
3 may prescribe.

4 **SEC. 202. MISCELLANEOUS PROVISIONS.**

5 (a) ASSURANCES TO THE SECRETARY.—In order to  
6 qualify for any payment under title I for any entitlement  
7 period beginning on or after October 1, 2009, a State gov-  
8 ernment or unit of local government must establish (in  
9 accordance with regulations prescribed by the Secretary,  
10 and, with respect to a unit of local government, after an  
11 opportunity for review and comment by the Governor of  
12 the State in which such unit is located) to the satisfaction  
13 of the Secretary that—

14 (1) it will establish a trust fund in which it will  
15 deposit all payments it receives under title I;

16 (2) it will use amounts in such trust fund (in-  
17 cluding any interest earned thereon while in such  
18 trust fund) during such reasonable period or periods  
19 as may be provided in such regulations;

20 (3) in the case of a unit of local government,  
21 it will use amounts in such trust fund (including any  
22 interest earned thereon while in such trust fund)  
23 only for priority expenditures (as defined in section  
24 103(a)), and will pay over to the Secretary (for de-  
25 posit in the general fund of the Treasury) an

1 amount equal to 110 percent of any amount ex-  
2 pended out of such trust fund in violation of this  
3 paragraph, unless such amount is promptly repaid to  
4 such trust fund (or the violation is otherwise cor-  
5 rected) after notice and opportunity for corrective  
6 action;

7 (4) it will provide for the expenditure of  
8 amounts received under title I only in accordance  
9 with the laws and procedures applicable to the ex-  
10 penditure of its own revenues;

11 (5) it will—

12 (A) use fiscal, accounting, and audit proce-  
13 dures which conform to guidelines established  
14 therefor by the Secretary (after consultation  
15 with the Comptroller General of the United  
16 States),

17 (B) provide to the Secretary (and to the  
18 Comptroller General of the United States), on  
19 reasonable notice, access to, and the right to ex-  
20 amine, such books, documents, papers, or  
21 records as the Secretary may reasonably require  
22 for purposes of reviewing compliance with this  
23 Act (or, in the case of the Comptroller General,  
24 as the Comptroller General may reasonably re-

1           quire for purposes of reviewing compliance and  
2           operations under subsection (c)(2)), and

3           (C) make such annual and interim reports  
4           (other than reports required by section 201) to  
5           the Secretary as he may reasonably require;

6           (6) all laborers and mechanics employed by con-  
7           tractors or subcontractors in the performance of  
8           work on any construction project, 25 percent or  
9           more of the costs of which project are paid out of  
10          its trust fund established under paragraph (1), will  
11          be paid wages at rates not less than those prevailing  
12          on similar construction in the locality as determined  
13          by the Secretary of Labor in accordance with sub-  
14          chapter IV of chapter 31 of title 40, United States  
15          Code (commonly referred to as the “Davis-Bacon  
16          Act”);

17          (7) individuals employed by it whose wages are  
18          paid in whole or in part out of its trust fund estab-  
19          lished under paragraph (1) will be paid wages which  
20          are not lower than the prevailing rates of pay for  
21          persons employed in similar public occupations by  
22          the same employer; and

23          (8) in the case of a unit of local government as  
24          defined in the second sentence of section 106(d)(1)  
25          (relating to governments of Indian tribes and Alas-

1 kan native villages), it will expend funds received by  
2 it under title I for the benefit of members of the  
3 tribe or village residing in the county area from the  
4 allocation of which funds are allocated to it under  
5 section 106(b)(4).

6 Paragraph (7) shall apply with respect to employees in  
7 any category only if 25 percent or more of the wages of  
8 all employees of the State government or unit of local gov-  
9 ernment in such category are paid from the trust fund  
10 established by it under paragraph (1).

11 (b) WITHHOLDING OF PAYMENTS.—If the Secretary  
12 determines that a State government or unit of local gov-  
13 ernment has failed to comply substantially with any provi-  
14 sion of subsection (a) or any regulations prescribed there-  
15 under, after giving reasonable notice and opportunity for  
16 a hearing to the Governor of the State or the chief execu-  
17 tive officer of the unit of local government, he shall notify  
18 the State government or unit of local government that if  
19 it fails to take corrective action within 60 days from the  
20 date of receipt of such notification further payments to  
21 it will be withheld for the remainder of the entitlement  
22 period and for any subsequent entitlement period until  
23 such time as the Secretary is satisfied that appropriate  
24 corrective action has been taken and that there will no  
25 longer be any failure to comply. Until he is satisfied, the

1 Secretary shall make no further payments of such  
2 amounts.

3 (c) ACCOUNTING, AUDITING, AND EVALUATION.—

4 (1) IN GENERAL.—The Secretary shall provide  
5 for such accounting and auditing procedures, evalua-  
6 tions, and reviews as may be necessary to insure  
7 that the expenditures of funds received under title I  
8 by State governments and units of local government  
9 comply fully with the requirements of this Act. The  
10 Secretary is authorized to accept an audit by a State  
11 of such expenditures of a State government or unit  
12 of local government if he determines that such audit  
13 and the audit procedures of that State are suffi-  
14 ciently reliable to enable him to carry out his duties  
15 under this Act.

16 (2) COMPTROLLER GENERAL SHALL REVIEW  
17 COMPLIANCE.—The Comptroller General of the  
18 United States shall make such reviews of the work  
19 as done by the Secretary, the State governments,  
20 and the units of local government as may be nec-  
21 essary for the Congress to evaluate compliance and  
22 operations under this Act.

23 **SEC. 203. DEFINITIONS.**

24 (a) SECRETARY.—For purposes of this Act, the term  
25 “Secretary” means the Secretary of the Treasury or his

1 delegate. The term “Secretary of the Treasury” means the  
2 Secretary of the Treasury personally, not including any  
3 delegate.

4 (b) ENTITLEMENT PERIOD.—For purposes of this  
5 Act, the term “entitlement period” means each of the fol-  
6 lowing:

7 (1) The period beginning on the date of the en-  
8 actment of this Act and ending September 30, 2009.

9 (2) Fiscal year 2010.

10 (3) Fiscal year 2011.

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